

Ageing in the European labour market – implications for structural change

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Eurofound

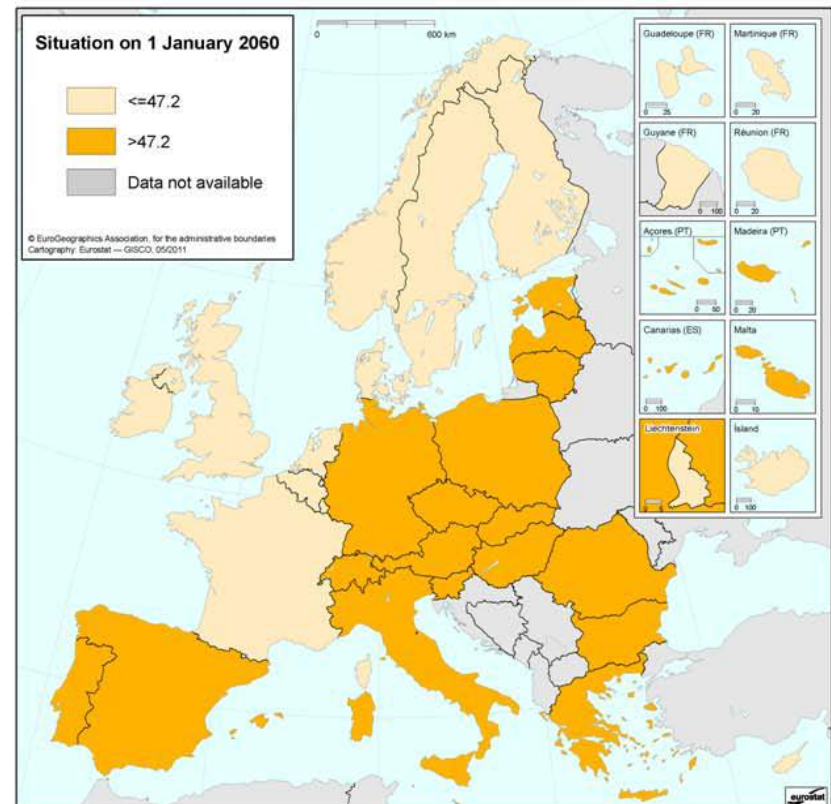
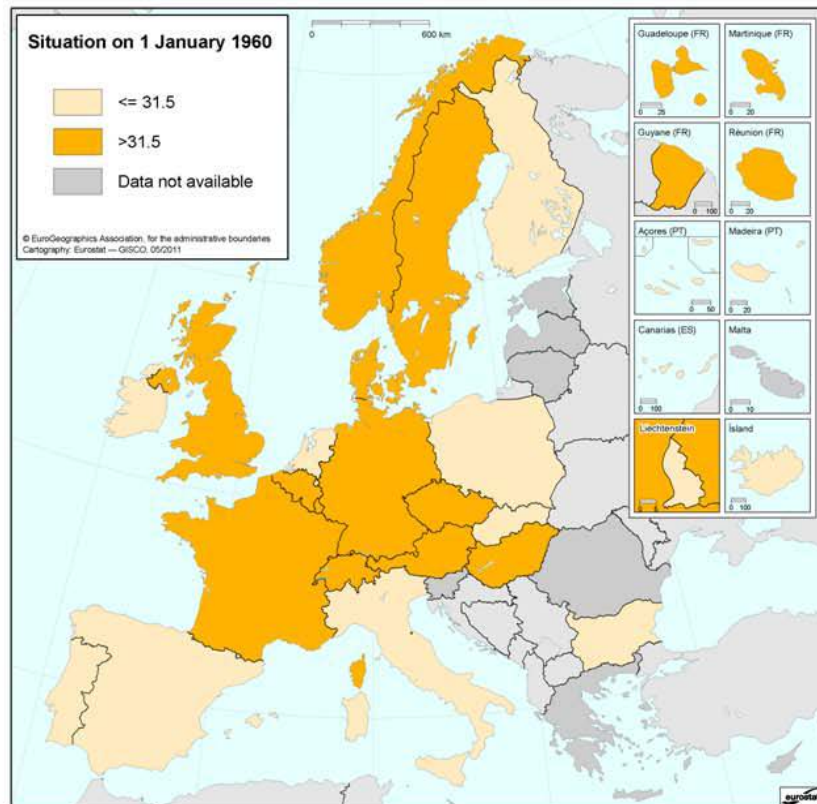


Over 100 years – 16 years older

Median age 39.8 in 2010

Median age 31.5 in 1960

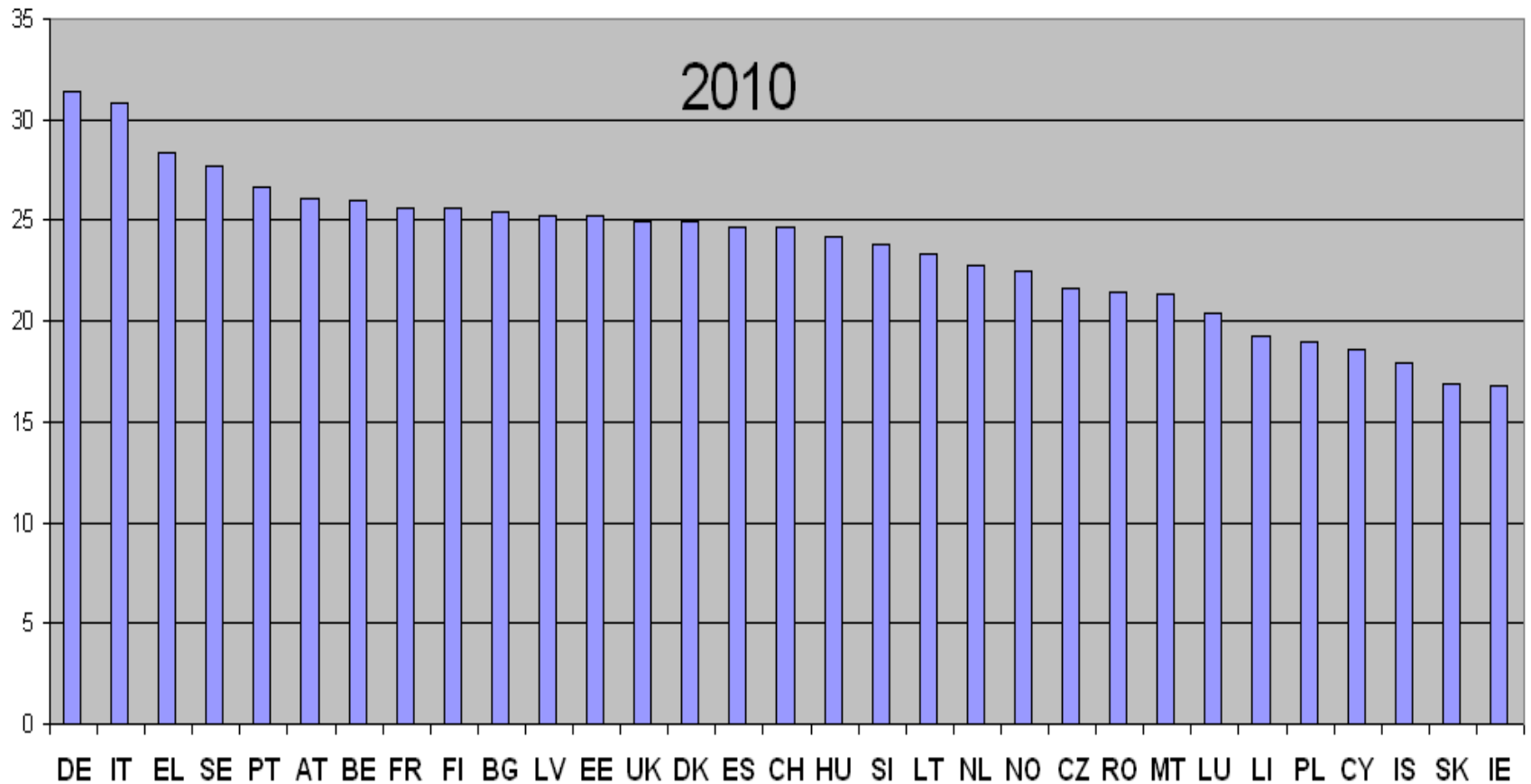
Median age 47.2 in 2060





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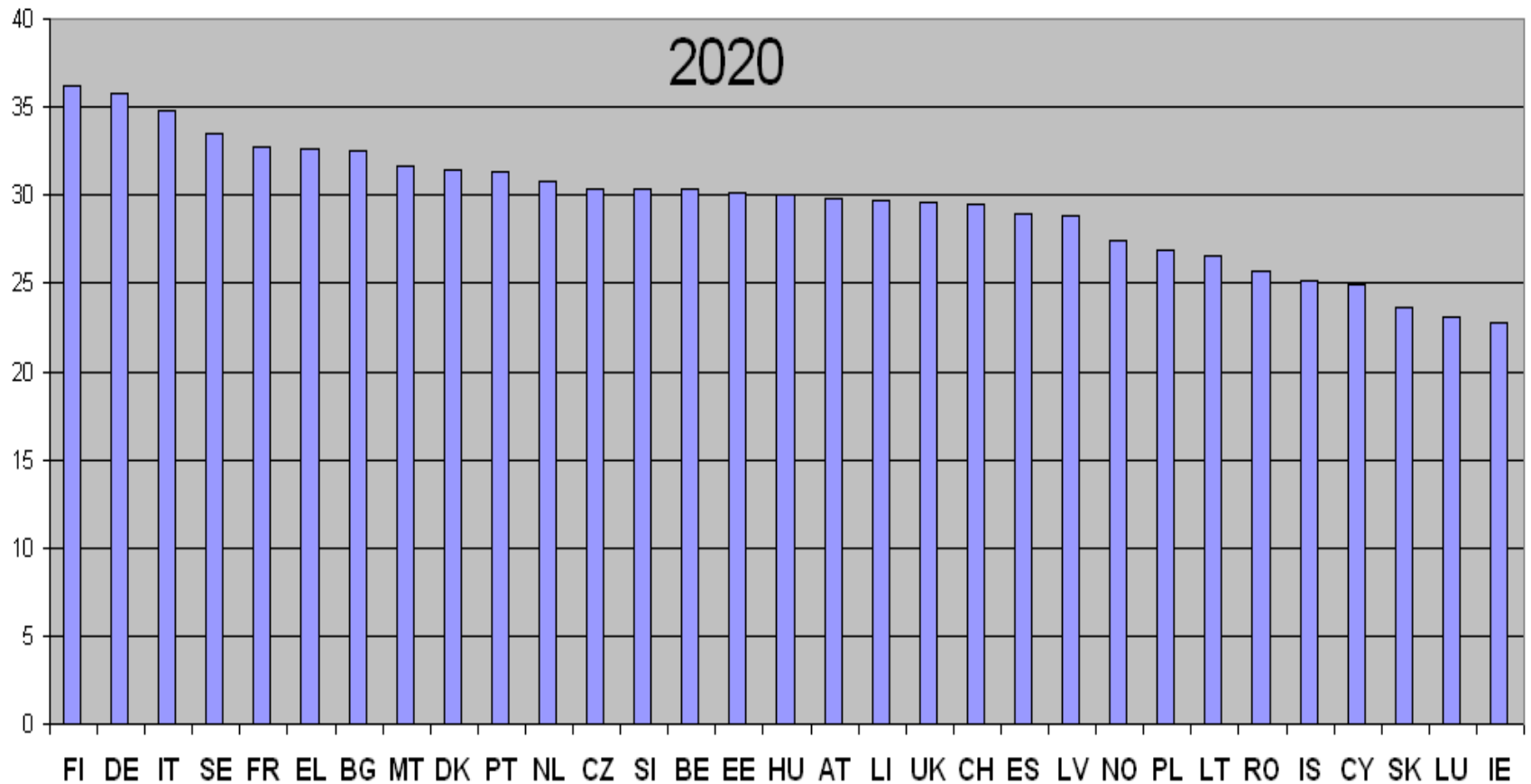
Old age dependency ratio





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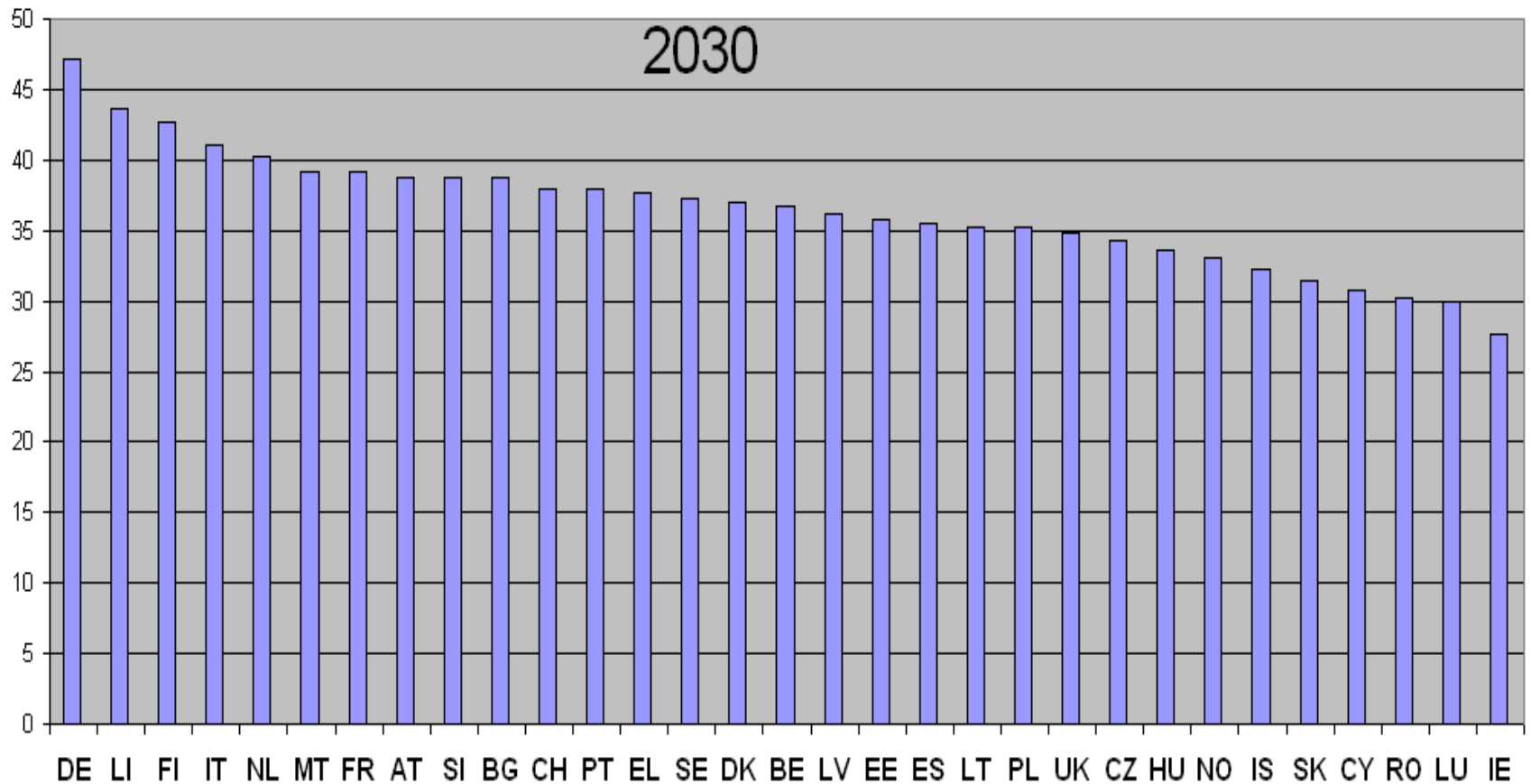
Old age dependency ratio





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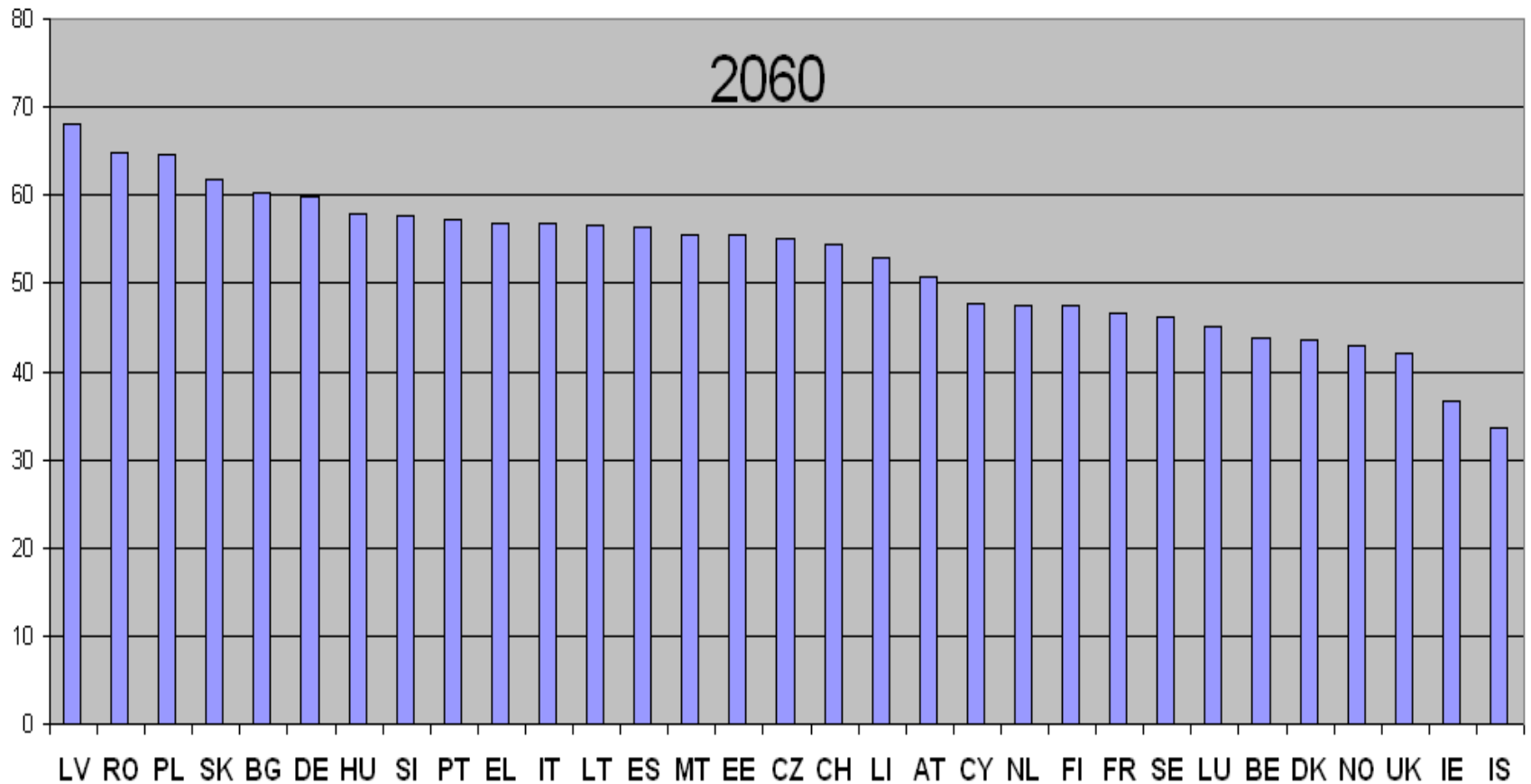
Old age dependency ratio





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Old age dependency ratio



Demographic and labour force trends

Smaller recent birth cohorts

- smaller populations in near future
- relatively fewer of working age (20-64)

Longer life expectancy – it will continue to increase

- Larger share of old workers – age dependency ratio
- but of better health.



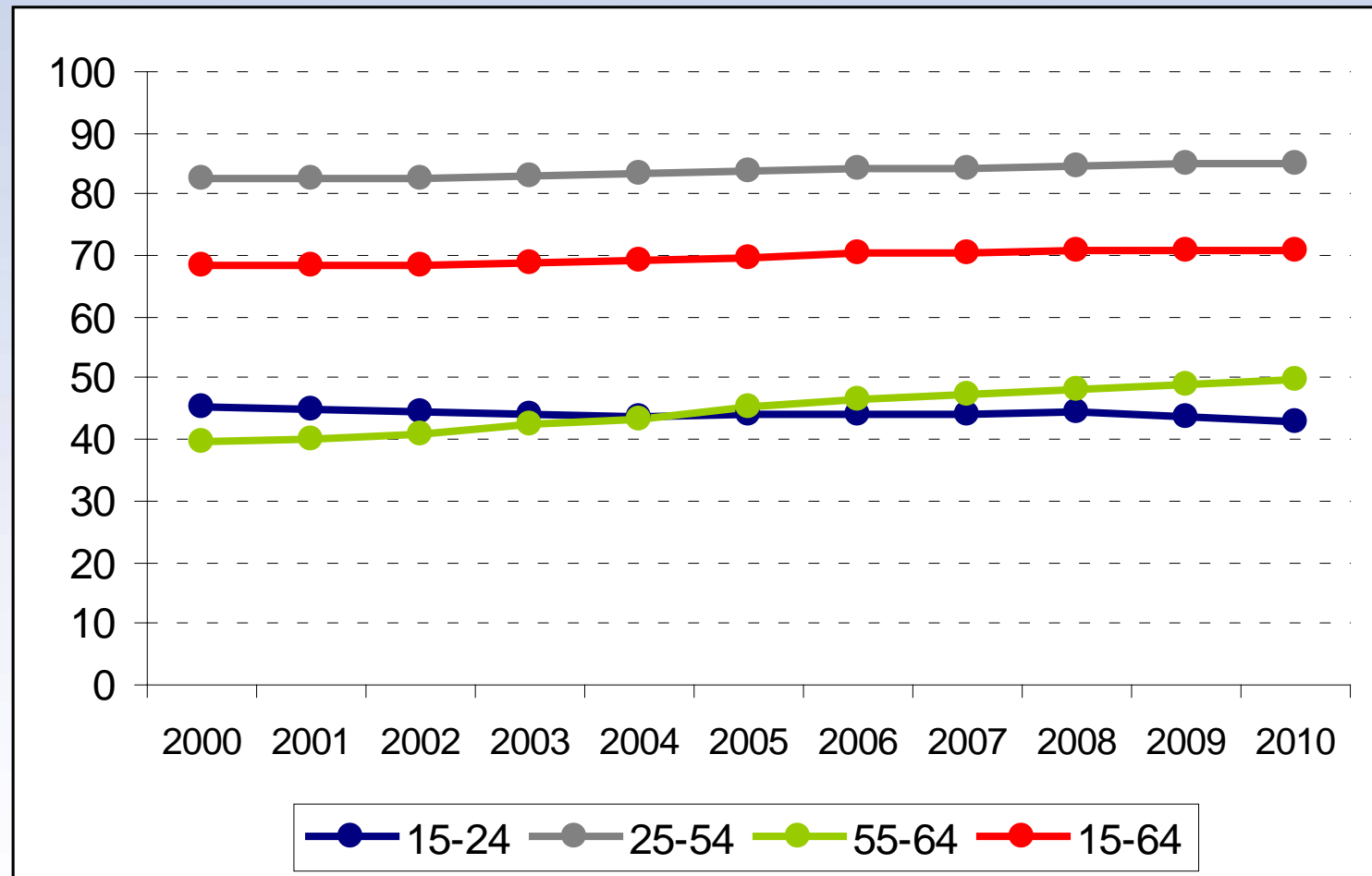
How to make up the labour shortfall?

- More immigration
 - not enough! And do “we” want it?
- Higher fertility
 - too late!
 - (current youth problems more relevant)
- Higher productivity – a cop out!

More active & inclusive policy
and work longer!

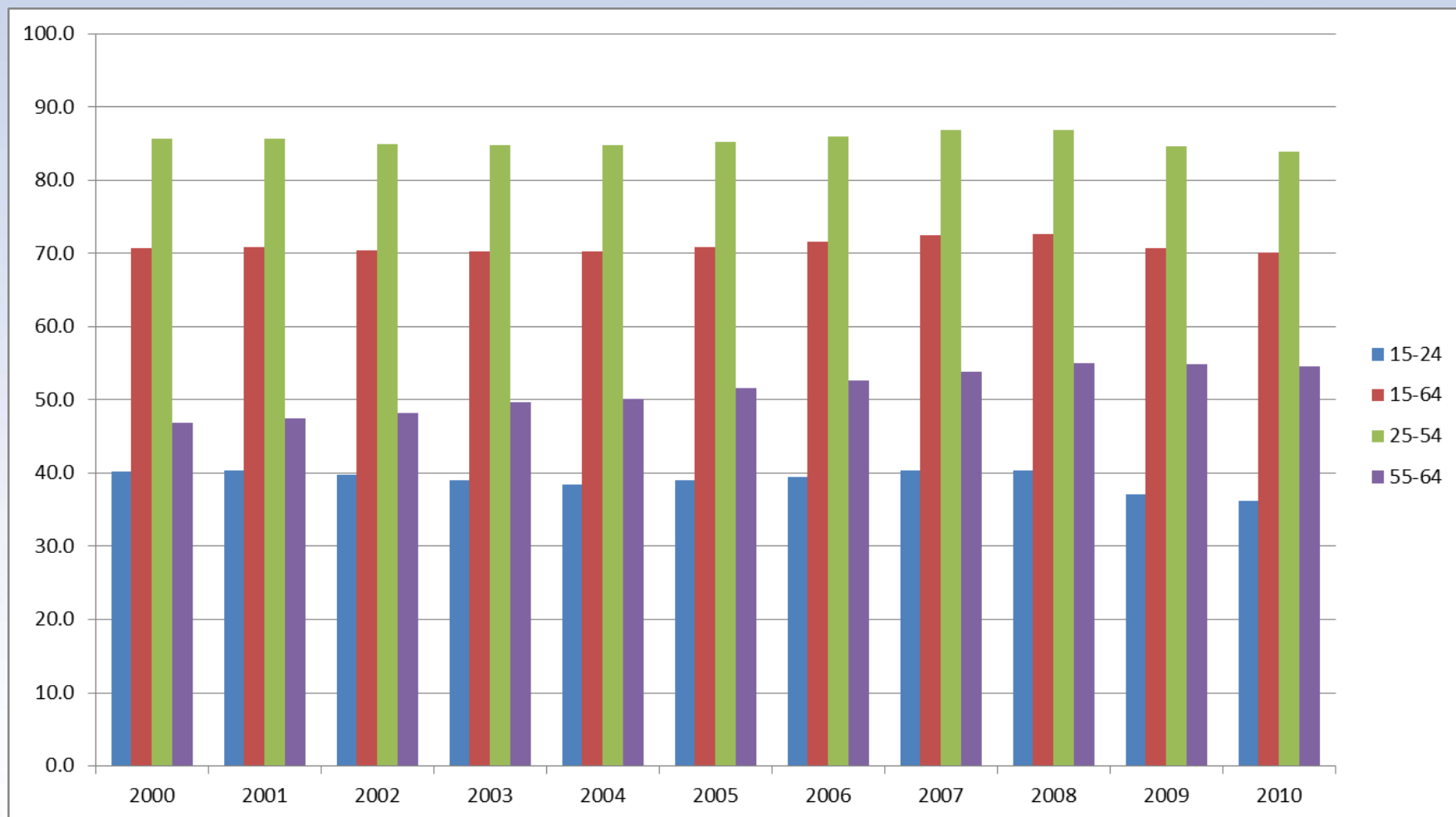


Activity Rates by age group 2000-2010



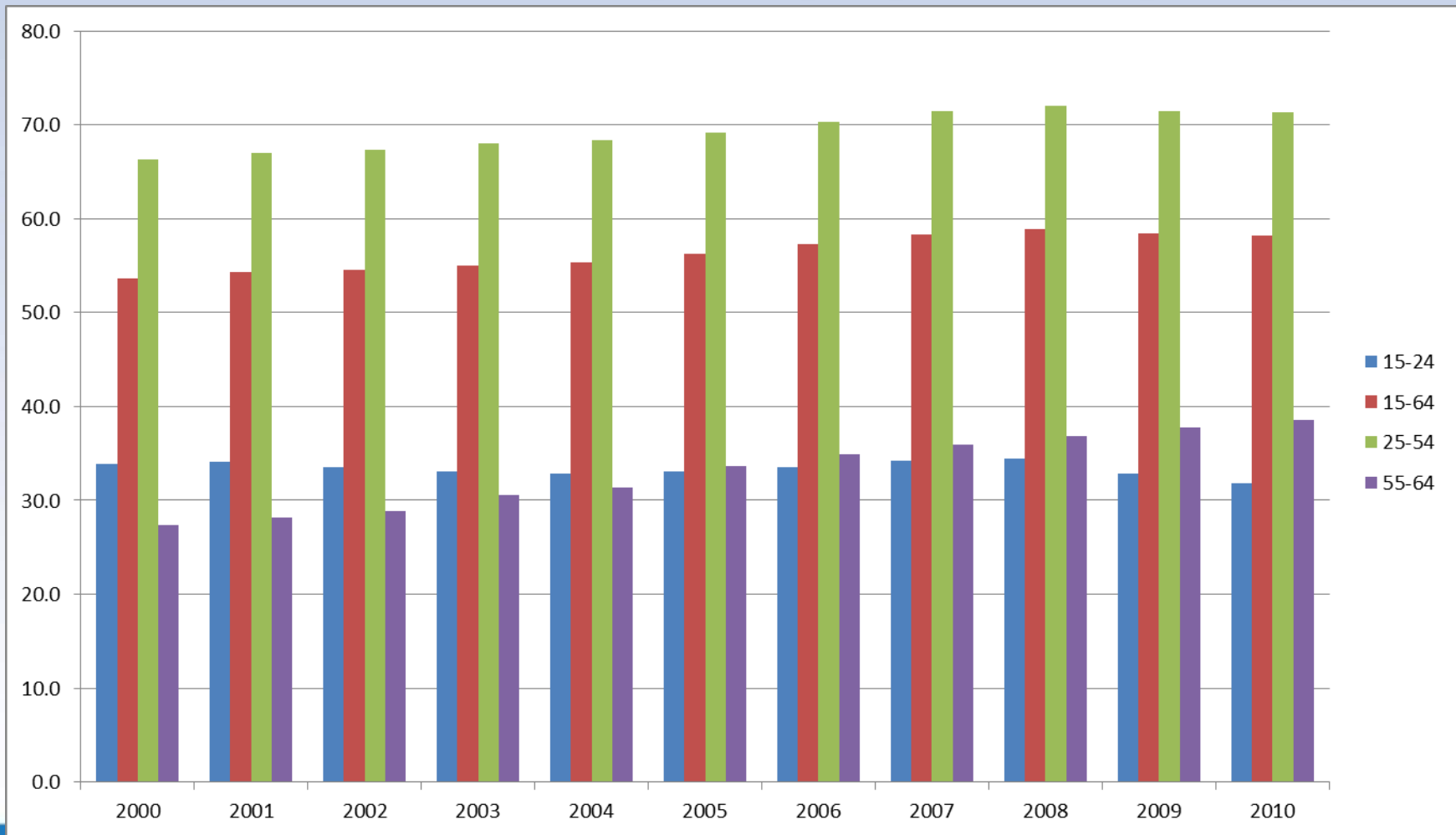
Employment rates 2000 – 2010

MEN



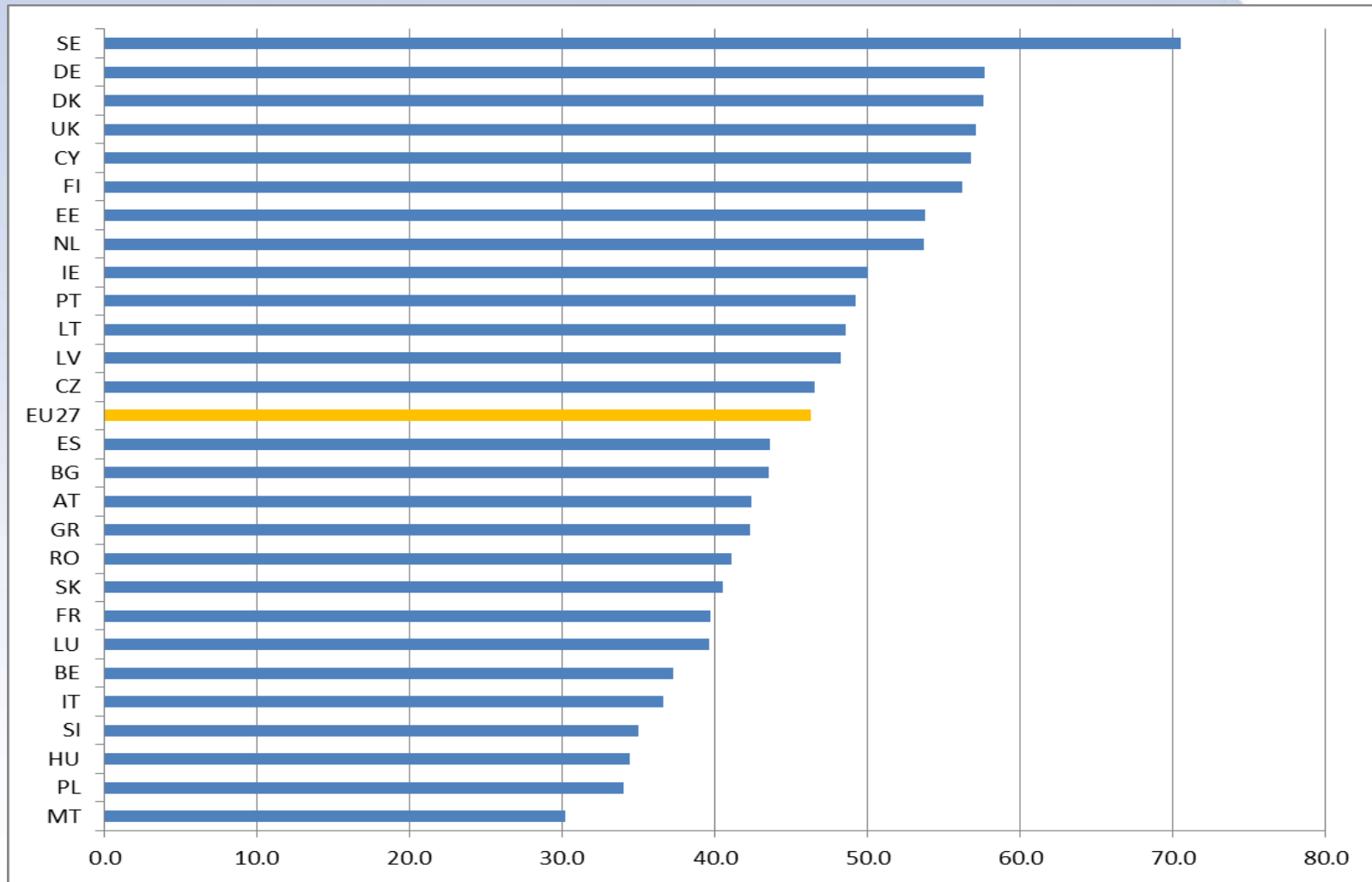
Employment rates 2000 – 2010

WOMEN

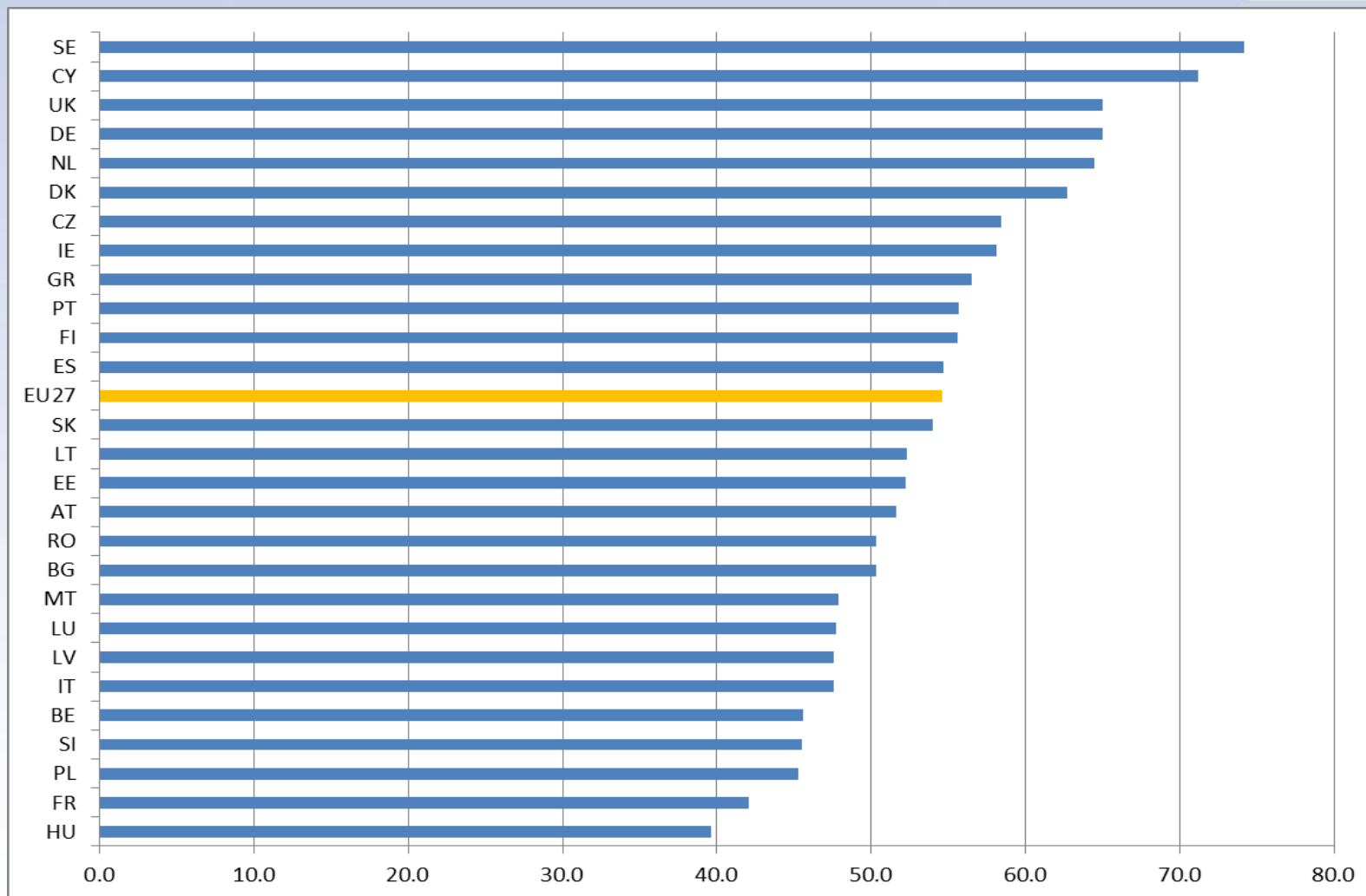




Employment rate of 55-64 year olds in 2010

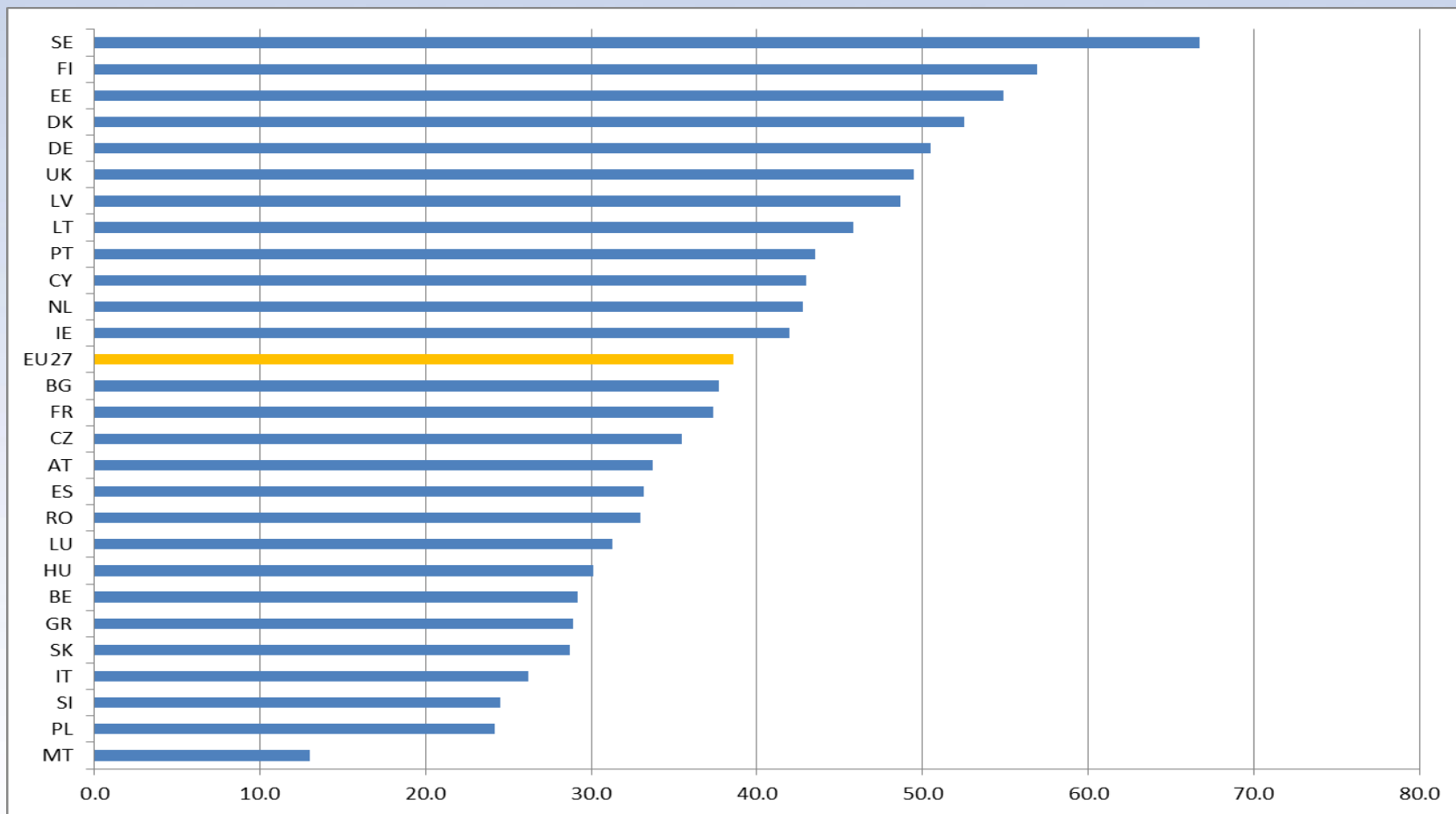


Employment rate of 55-64 year old men in 2010

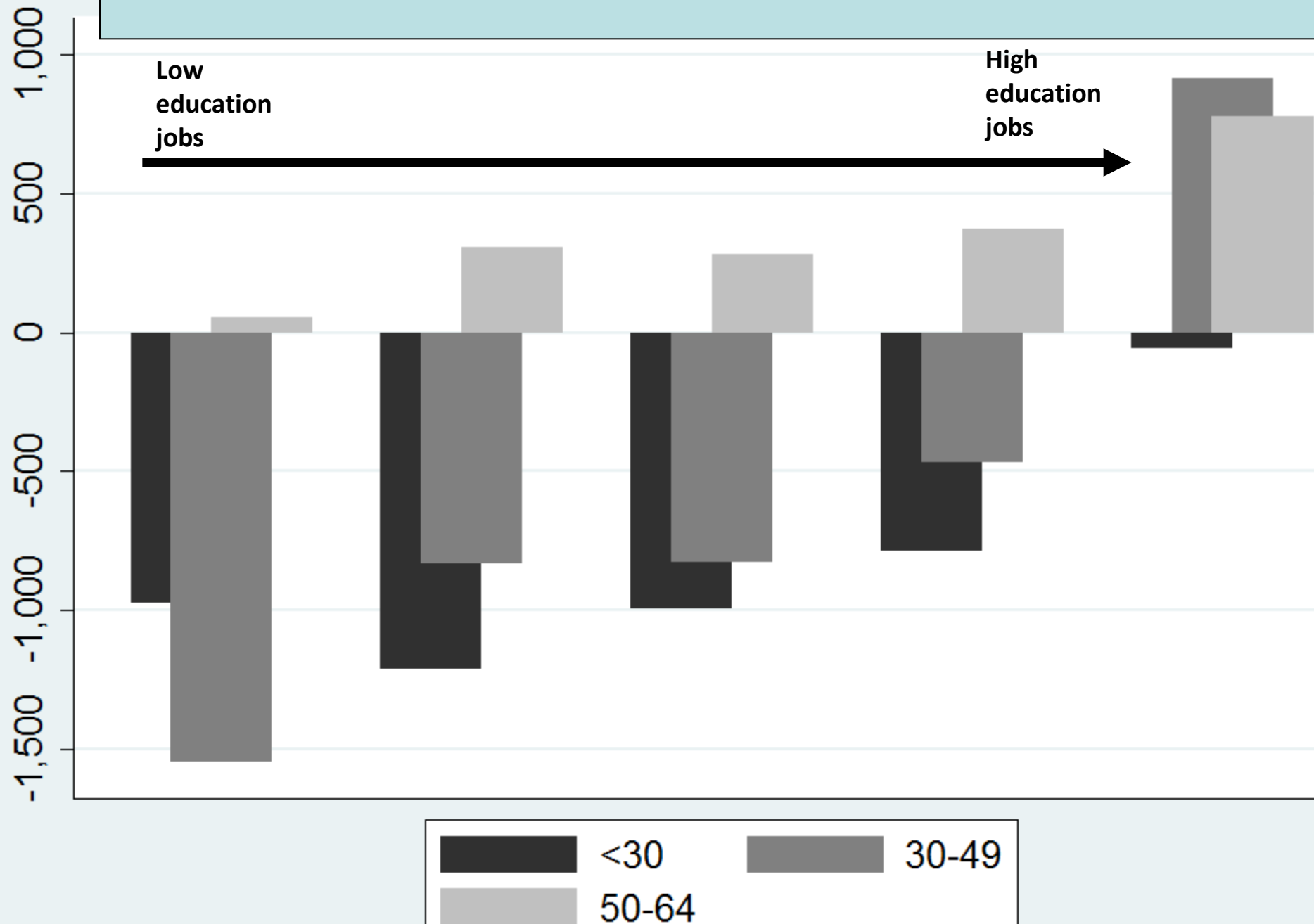




Employment rate of 55-64 year old women in 2010



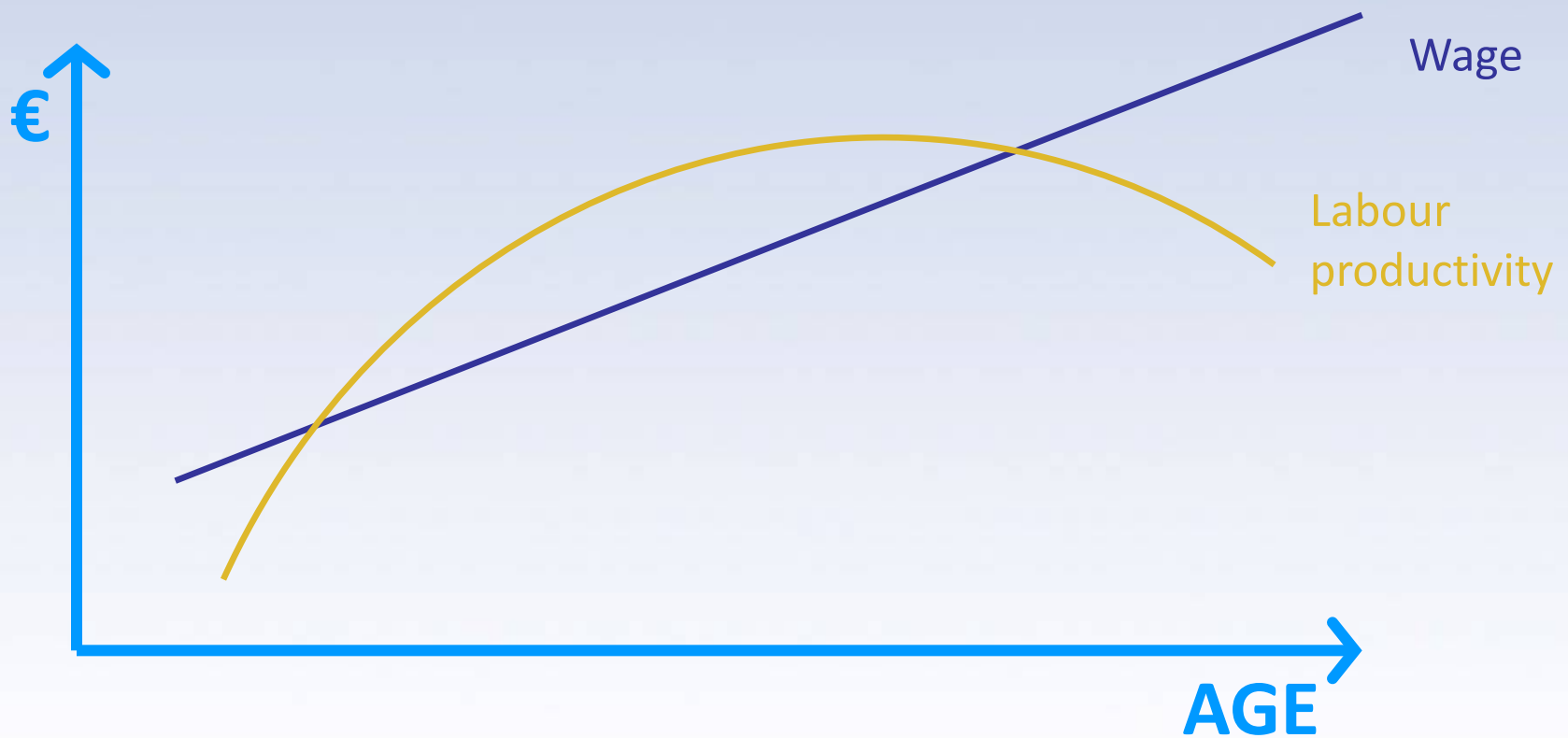
Shifting age structure in the recession 2008 Q2 to 2010 Q2 (ELFS)



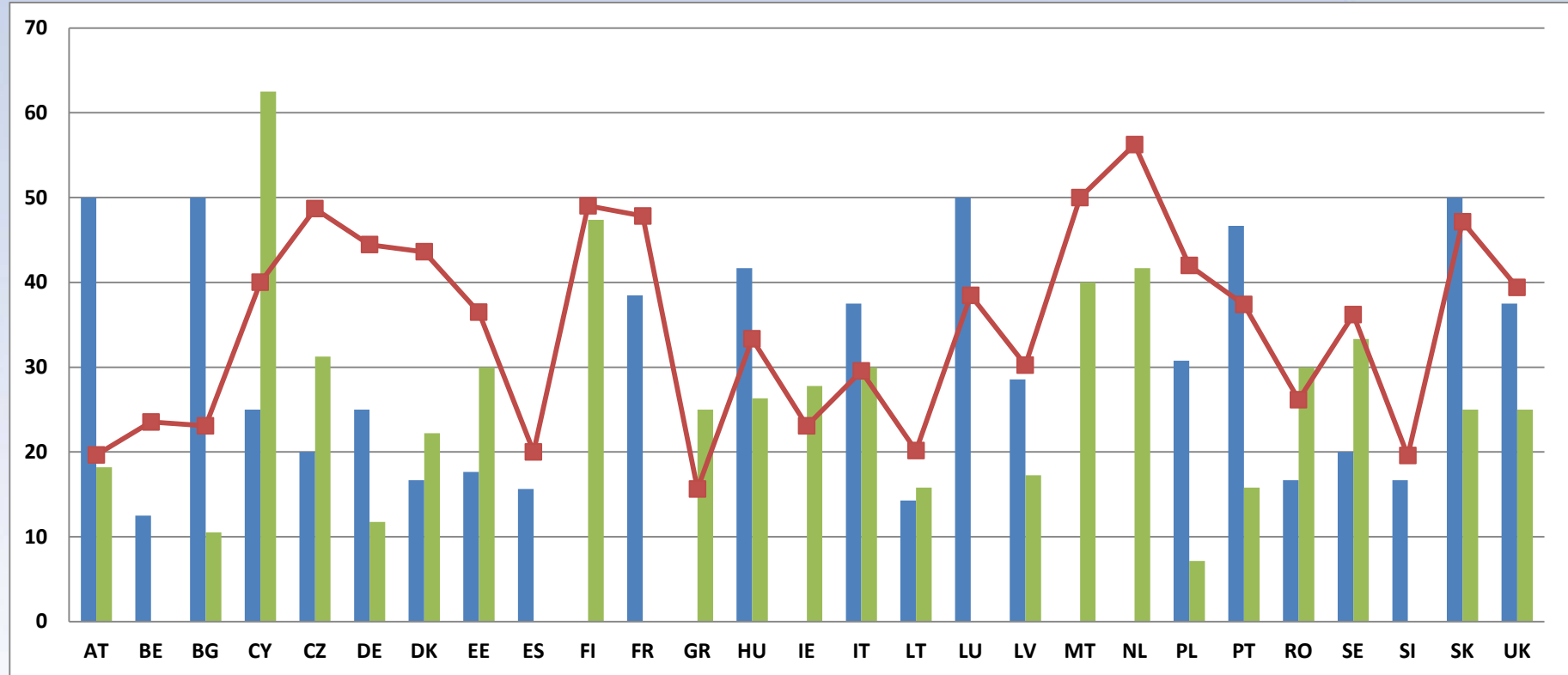
- With older labour force more older workers will bear costs of labour market adjustment
- Large scale early pension of older (male industrial) workers as in 70s and 80s has declined— see this recession.
- No macro evidence that “job sacrifice” by the old benefits the young.
- If wages > productivity for older workers – higher unit labour costs



A stylised graph of wage, productivity and age



Re-employment after redundancy by age



Low re-employment rates of older workers

- Search for insider wage in the external LM
- Discrimination
- Lack of effort from employment services
- The “easy” early retirement/disability/sickness pension option
- Skills inflexibility (versus experience knowledge)
- Short payback time for human capital investment



- New policy & labour market authority mind set
- Coaching
- Complementary training
- Realistic wage claims

Social security contribution reduction

- with youth unemployment (perhaps with youth subsidies) !



Why employment rates for older workers will increase

- Labour shortages
- Continual decline in physically demanding work
- Continual improvement in health
- Future old cohorts will be better educated (and LLL)
- More (older) women will become employed
- Relatively more old workers will press down their relative wage
- Policy? pension reform etc?

